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Nebraska's Agricultural Real Estate Market Holds Steady

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Market Report	Yr Ago	4 Wks Ago	3/3/00
Livestock and Products, ***Average Prices for Week Ending***			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	$ *	$68.09	$69.86
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	77.01	87.25	95.12
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	82.39	97.97	98.02
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	96.76	105.80	105.26
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	27.25	40.50	39.25
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	37.50	56.23	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	86.05	108.30	104.05
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	66.63	*	76.38
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	150.00	148.00	170.00
Crops, ***Cash Truck Prices for Date Shown***			
Wheat, No. 1, H.W. Omaha, bu.	2.79	2.84	2.79
Corn, No. 2, Yellow Omaha, bu.	1.98	1.90	1.95
Soybeans, No. 1, Yellow Omaha, bu.	4.41	4.67	4.76
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.43	3.23	3.32
Oats, No. 2, Heavy Sioux City, IA , bu.	1.22	1.24	1.33
Hay, ***First Day of Week Pile Prices***			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	*	82.50	87.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	*	32.50	90.00
Prairie, Sm. Square, Good Northeast Nebraska, ton.	62.50	*	*

* No market.

Despite the generally poor commodity prices during most of 1999, the markets for agricultural land remained relatively unchanged in terms of value levels and cash rental rates. Preliminary results from the February 1, 2000 UNL land market survey indicate a state all-land average value of $696 per acre, less than a 1 percent increase from 12 months earlier (Figure 1 and Table 1). For the state as a whole, the various classes of cropland moved slightly in both directions of year-earlier levels, with the 12-month changes being hardly more than the recent daily gyrations of the stock market. And though some areas of the state experienced somewhat larger declines, none were more than 10 percent – the level considered by stock market analysts as a market correction. Clearly, depressed crop commodity prices toned down local markets for cropland; but survey reporters also noted the countervailing influence of the federal farm program payments which helped cash flow conditions during the year.

Returning profitability to the state's cattle economy by the last half of 1999 appears to have helped provide a somewhat stronger market for grazing land, particularly in the major range areas of the state. Value increases of 3 to 8 percent for the 12-month period were reported in these areas. As a result, nontillable grazing land showed the largest increase at the state level – up 5 percent for the year ending February 1st.

As for geographic patterns, the Southwest District of the state showed the strongest market over the past year, with a nearly 6 percent increase overall. All classes of land in that area were reportedly higher as of February 1st. This area of the state has tended to lag behind other regions in terms of value increases during the 1990s decade; so this stronger performance recently may represent more of a multi-year pattern of movement. Good crops in that area over the past few years may have also been a contributing factor. In contrast, the South District showed an all-land

decline of 3.9 percent, with reported value declines for six of the seven land classes. Apparently, the local markets in that area have tended to be relatively more cautious over the past several months, perhaps in part due to recent developments in the ongoing Nebraska/Kansas water controversy.

Generally, reporters to the February 1, 2000 survey were somewhat surprised by the strength of the agricultural land market and the fact that average values have remained fairly stable. Clearly, there is no widespread "economic meltdown" occurring which is putting the land market into a tail-spin. The land remains in relatively strong financial hands with very little, if any, being forced onto the local market. Instead, the local markets have reportedly been rather quiet over the past year with fewer offerings on the market. And given the limited offerings, there has generally been proportional levels of demand to bid for those limited offerings of parcels.

Purchase for farm expansion by active farmers remains a primary force on the demand side of the market. However, survey respondents from across the state are noting the growing presence of non-farmer buyer interest in the agricultural land market. This type of interest may or may not be driven by the ongoing agricultural use of the land and its agricultural earnings potential.

As for the cash rental market for agricultural land, it too has maintained general stability into the 2000 rental season. With few exceptions, preliminary rental rate averages for the current year are basically similar to 1999 levels. Even though major crop commodity prices remain low and some input prices (particularly diesel fuel) have increased substantially from a year ago, tenants have apparently been willing to maintain cash rental rate levels. In many areas of the state, demand for land to rent remains robust, even though the level of short-run uncertainty is relatively high due to weather factors and farm program payment unknowns, as well as the commodity price situation. In short, tenants apparently feel they need to pay rents equivalent to the previous year's levels for fear of losing access to the land base they need.

Respondents to this year's survey have frequently noted that while rental rate averages have remained similar to those of last year, the extremely-high bids which have tended to occur in many local markets in recent years have been much less prevalent this year. There appears to be a more rational ceiling on cash rental rates, even though competition may be spirited.

Grazing rental rates on a dollars per animal unit month (AUM) basis are somewhat higher for the 2000 grazing season. This is true across the state. The stronger cattle economy is, no doubt, a major contributing factor to this.

The comprehensive report, ***Nebraska Farm Real Estate Market Developments:1999-2000***, will be available in early June from the Department of Agricultural Economics.

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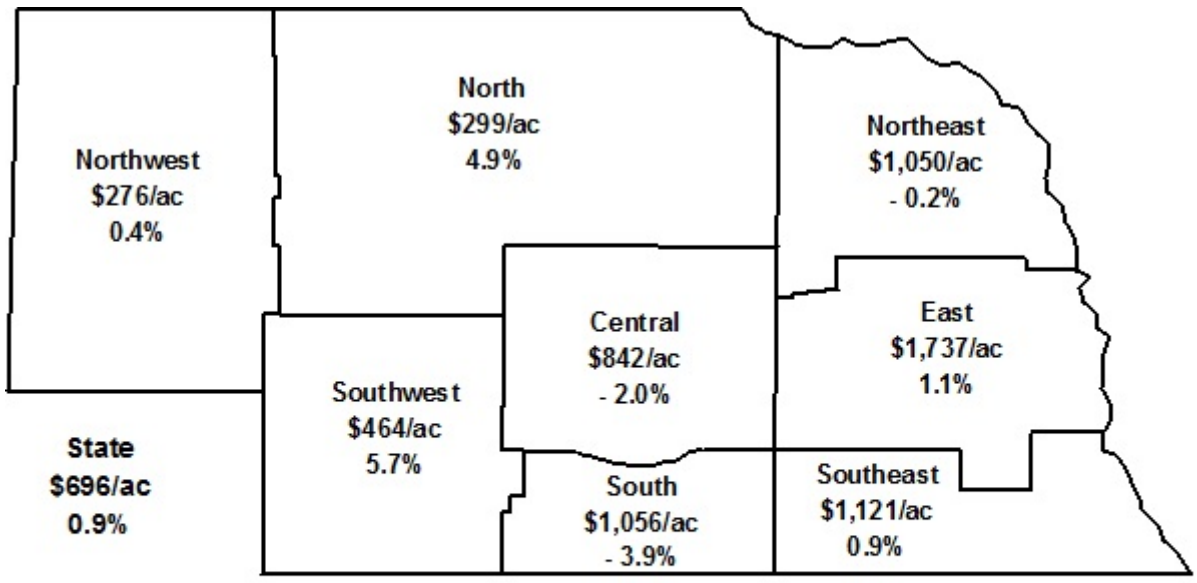

Figure 1. Average Value of Nebraska Farmland, February 1, 2000 and Percent Change From a Year Earlier.

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, Feb. 1, 1999 - Feb. 1, 2000.[a] (PRELIMINARY)

Type of Land and Year	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State[c]
	Dollars Per Acre								
Dryland Cropland (No Irrigation Potential)									
Rptd. in 2000	331	400	953	648	1,464	434	708	958	750
Rptd. in 1999	346	367	968	635	1,462	428	740	953	749
% Change [d]	(4.3)	9.0	(1.5)	2.0	(0.1)	1.4	(4.3)	0.5	0.1
Dryland Cropland (Irrigation Potential)									
Rptd. in 2000	418	492	1,190	957	1,800	546	1,112	1,187	1,074
Rptd. in 1999	436	480	1,216	956	1,792	538	1,173	1,172	1,081
% Change [d]	(4.1)	2.5	(2.1)	0.1	0.4	1.5	(5.2)	1.3	(0.6)
Grazing Land (Tillable)									
Rptd. in 2000	173	275	568	471	731	256	464	588	314
Rptd. in 1999	165	270	569	456	735	234	470	575	306
% Change [d]	4.8	1.9	(0.2)	3.3	(0.5)	9.4	(1.3)	2.3	2.6
Grazing Land (Nontillable)									
Rptd. in 2000	137	206	432	365	510	193	333	478	230
Rptd. in 1999	127	192	411	350	507	187	327	476	219
% Change [d]	7.9	7.3	5.1	4.3	0.6	3.2	1.8	0.4	5.0
Hayland									
Rptd. in 2000	313	358	539	444	618	350	398	463	379
Rptd. in 1999	318	325	507	457	625	330	412	502	359
% Change [d]	(1.6)	10.2	6.3	(2.8)	(1.1)	6.1	(3.4)	(7.8)	5.6
Gravity Irrigated Cropland									
Rptd. in 2000	907	1,025	1,696	1,754	2,279	1,325	1,856	1,831	1,765
Rptd. in 1999	894	1,050	1,575	1,861	2,247	1,198	1,945	1,813	1,768
% Change [d]	1.5	(2.4)	7.7	(5.7)	1.4	10.6	(4.6)	1.0	(0.2)
Center Pivot Irrigated Cropland[b]									
Rptd. in 2000	750	981	1,584	1,579	2,424	1,192	1,795	1,810	1,452
Rptd. in 1999	750	984	1,581	1,616	2,288	1,124	1,830	1,806	1,428
% Change [d]	0	(0.3)	0.2	(2.3)	5.9	6.0	(1.9)	0.2	1.7
All Land Average[c]									
Rptd. in 2000	276	299	1,050	842	1,737	464	1,056	1,121	696
Rptd. in 1999	275	285	1,052	859	1,718	439	1,099	1,111	690
% Change [d]	0.4	4.9	(0.2)	(2.0)	1.1	5.7	(3.9)	0.9	0.9

[a] SOURCE: 1999 and 2000 UNL Nebraska Farm Real Estate Market Developments Surveys.
[b] Value of pivot not included in per acre value.
[c] Weighted averages.
[d] Negative percentage changes in parenthesis.

Table 2. Reported Cash Rental Rates for 2000 and Comparison with Year-Earlier Levels[a] (PRELIMINARY)

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Acre							
Dryland Cropland								
2000	20	38	79	53	86	29	49	66
1999	21	38	79	51	85	30	49	67
% Change [d]	(4.8)	0.0	0.0	3.9	1.2	(3.3)	0.0	(1.5)
Gravity Irrigated Cropland								
2000	82	98	118	123	133	100	128	120
1999	85	102	111	123	133	98	130	119
% Change [d]	(3.5)	(3.9)	6.3	0.0	0.0	2.0	(1.5)	0.8
Center Pivot Irrigated Cropland								
2000	93	105	125	124	144	111	135	129
1999	90	109	122	124	143	110	136	127
% Change [d]	3.3	(3.7)	2.5	0.0	0.7	0.9	(0.7)	1.6
Dryland Alfalfa								
2000	b	b	80	56	82	b	b	b
1999	b	b	80	54	86	b	b	b
% Change [d]			0.0	3.7	(4.7)			
Irrigated Alfalfa								
2000	b	b	105	107	114	b	b	b
1999	b	b	112	108	115	b	b	b
% Change [d]			(6.3)	(0.9)	(0.9)			
Other Hayland								
2000	b	b	48	35	43	b	b	b
1999	b	b	48	38	48	b	b	b
% Change [d]			0.0	(7.9)	(10.4)			
Pasture								
2000	7	13	32	22	29	11	20	21
1999	7	12	31	21	29	11	20	23
% Change[d]	0.0	8.3	3.2	4.8	0.0	0.0	0.0	(8.7)
	Dollars Per Animal Unit Month [c]							
2000	18.25	23.17	23.82	23.80	22.50	24.50	21.50	21.33
1999	16.70	23.00	21.60	23.25	21.90	23.25	22.00	20.40
% Change[d]	9.3	0.7	10.3	2.4	2.7	5.4	(2.3)	4.6

[a] SOURCE: Reporters' estimated average cash rental rates from the 1999 and 2000 UNL Nebraska Farm Real Estate Market Developments Surveys.

[b] Insufficient number of reports.

[c] Animal Unit Month (AUM) refers to sufficient forage capacity to sustain an animal unit (1,000 lb. cow with calf at side of equivalent) for one month during the normal range season.

[d] Negative percentage changes in parenthesis.